HYBRID KINETIC GROUP LIMITED
正道集團有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "Board") of directors (the "Directors") of Hybrid Kinetic Group Limited (the "Company") would announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2014 (the "Period") together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**25,976**	24,036
Cost of sales		**(21,873)**	(19,552)
Gross profit		**4,103**	4,484
Other income		**2,834**	1,018
Distribution costs and general operating expenses		**(63,944)**	(41,256)
Impairment of goodwill		**–**	(9,625)
Change in fair value of other financial asset		**(2,000)**	(4,000)
Finance costs		**(1,036)**	(996)

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Loss before income tax	*5*	**(60,043)**	(50,375)
Income tax credit	*6*	**335**	329
Loss for the period		**(59,708)**	(50,046)
Other comprehensive income			
Exchange differences on translation of financial statements of subsidiaries		**(5,259)**	450
Other comprehensive income for the period		**(5,259)**	450
Total comprehensive income for the period		**(64,967)**	(49,596)
Loss for the period attributable to:			
Owners of the Company		**(57,891)**	(48,663)
Non-controlling interests		**(1,817)**	(1,383)
		(59,708)	(50,046)
Total comprehensive income for the period attributable to:			
Owners of the Company		**(61,176)**	(48,213)
Non-controlling interests		**(3,791)**	(1,383)
		(64,967)	(49,596)
Loss per share for loss attributable to owners of the Company during the period	*7*		
Loss per share – basic		**HK(0.53) cent**	HK(0.50) cent
Loss per share – diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	**As at 30 June 2014 HK$'000 (Unaudited)**	As at 31 December 2013 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**46,561**	40,781
Goodwill		**11,900**	11,900
Intangible assets		**24,626**	26,837
Other investment		**10,809**	9,815
		93,896	89,333
Current assets			
Inventories		**40,966**	44,164
Trade receivables	*10*	**28,928**	28,392
Bills receivable		**384**	989
Prepayments, deposits and other receivables		**282,638**	337,438
Amount due from a non-controlling shareholder of a subsidiary		**113**	54,239
Other financial asset		**22,000**	24,000
Derivative financial asset		**9,109**	13,260
Short-term investment		**17,623**	8,876
Structured bank deposit		**10,700**	–
Pledged bank deposits		**1,741**	807
Cash and cash equivalents		**126,642**	147,996
		540,844	660,161

	Notes	**As at 30 June 2014 *HK$'000* (Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
Current liabilities			
Trade payables	*11*	**32,152**	32,349
Accruals and other payables		**42,291**	49,611
Borrowings		**26,090**	7,815
Bills payable		**4,710**	12,680
Tax payable		**1,169**	1,747
		106,412	104,202
Net current assets		**434,432**	555,959
Total assets less current liabilities		**528,328**	645,292
Non-current liabilities			
Deferred tax liabilities		**3,670**	4,005
Net assets		**524,658**	641,287
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**1,239,091**	1,041,116
Reserves		**(755,458)**	(695,075)
		483,633	346,041
Non-controlling interests		**41,025**	295,246
Total equity		**524,658**	641,287

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

This unaudited interim financial information (the "Unaudited Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Interim Financial Information does not include all of the information required in the annual financial statement, and should be read in conjunction with the Group's annual financial statements of the Company for the year ended 31 December 2013 (the "2013 Annual Financial Statements").

The Unaudited Interim Financial Information for the six months ended 30 June 2014 was approved for issue by the board of directors on 29 August 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Interim Financial Information has been prepared in accordance with the accounting policies and method of comparatives used in the 2013 Annual Financial Statements, except for the adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int"). The adoption of these new or revised HKFRSs has had no material impact on the Group's financial statements. The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The executive directors have identified the Group's product and service lines as operating segments as follows:

(i) natural resources business;

(ii) development and manufacturing of lithium-ion power battery;

(iii) development and manufacturing of hybrid vehicles; and

(iv) development of advanced batteries materials.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the six months ended 30 June 2014

	Natural resources business *HK$'000* (Unaudited)	Lithium-ion power batteries business *HK$'000* (Unaudited)	Hybrid vehicles business *HK$'000* (Unaudited)	Development of advanced batteries materials *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue					
Sales to external customers	–	25,976	–	–	25,976
Segment results	(4,926)	(12,545)	(7,434)	(1,926)	(26,831)
Unallocated corporate income and expense, net					(31,582)
Share-based compensation					(1,630)
Loss before income tax					(60,043)
Income tax credit					335
Loss for the period					(59,708)

For the six months ended 30 June 2013

	Natural resources business *HK$'000* (Unaudited)	Lithium-ion power batteries business *HK$'000* (Unaudited)	Hybrid vehicles business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Sales to external customers	–	24,036	–	24,036
Segment results	(4,973)	(16,647)	(13,999)	(35,619)
Unallocated corporate income and expenses, net				(13,126)
Share-based compensation				(1,630)
Loss before income tax				(50,375)
Income tax credit				329
Loss for the period				(50,046)

Management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

At 30 June 2014, non-current assets (other than financial instruments) of HK$1,789,000 (31 December 2013: HK$93,000), HK$69,914,000 (31 December 2013: HK$73,659,000) and HK$11,384,000 (31 December 2013: HK$5,766,000) are located in Hong Kong, the People's Republic of China (the "PRC") and the United States respectively.

For goodwill and intangible assets, the geographical location is based on the entities' areas of operation. The geographical location of other non-current assets (other than financial instruments) is based on the physical location of the asset.

5. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax is arrived after charging/(crediting):		
Share-based compensation	**1,630**	1,630
Amortisation of intangible assets	**2,243**	2,124
Depreciation of property, plant and equipment	**4,613**	5,535
Impairment of goodwill	**–**	9,625
Change in fair value of other financial asset	**2,000**	4,000
Change in fair value of derivative financial asset	**4,151**	–
Research and development expenses	**4,014**	937

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax	**–**	3
Deferred tax	**(335)**	(332)
Total income tax credit	**(335)**	(329)

For the six months ended 30 June 2014 and 2013, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits for the year in Hong Kong. Taxation on PRC and overseas profits has been calculated on the estimated assessable profit for those periods at the rates of taxation prevailing in the jurisdictions in which the Group operates.

7. LOSS PER SHARE

The calculations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

Loss

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	**(57,891)**	(48,663)

Number of shares

	2014	2013
	Number of shares	Number of shares
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of shares for the purpose of basic loss per share	**10,986,101**	9,668,082

Diluted loss per share for both periods was not presented because the impact of the exercise of the share options was anti-dilutive. Potential ordinary shares are dilutive when and only when their conversion into ordinary shares would increase loss per share attributable to owners of the Company.

8. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired and disposed of property, plant and equipment of HK$9,625,000 and HK$174,000 respectively (Six months ended 30 June 2013: HK$515,000 and nil).

10. TRADE RECEIVABLES

As at 30 June 2014, the ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	As at 30 June 2014 *HK$'000* **(Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
0 – 30 days	**4,035**	16,136
31 – 90 days	**11,025**	1,524
91 – 180 days	**7,715**	3,262
Over 180 days	**6,153**	7,470
	28,928	28,392

The Group normally applies credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables.

11. TRADE PAYABLES

As at 30 June 2014, the ageing analysis of the trade payables of the Group was as follows:

	As at 30 June 2014 *HK$'000* **(Unaudited)**	As at 31 December 2013 *HK$'000* (Audited)
0 – 180 days	**21,896**	13,313
Over 180 days	**10,256**	19,036
	32,152	32,349

12. SHARE CAPITAL

	At 30 June 2014 (Unaudited)		At 31 December 2013 (Audited)	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**800,000,000,000**	**80,000,000**	800,000,000,000	80,000,000
Issued and fully paid:				
At beginning of period/year	**10,411,159,756**	**1,041,116**	8,772,159,756	877,216
Subscription of new shares during the period/year *(note (i))*	**1,979,750,000**	**194,975**	1,638,000,000	163,800
Shares issued from the share options scheme *(note (ii))*	**–**	**–**	1,000,000	100
At end of period/year	**12,390,909,756**	**1,239,091**	10,411,159,756	1,041,116

Notes:

(i) On 17 April 2014, the Company entered into agreements with 31 subscribers pursuant to which the subscribers agreed to subscribe for an aggregate of 2,079,750,000 new shares at the subscription price of HK$0.10 per subscription share. On 7 May 2014, 2 individual subscribers indicated to the Company of their intention to withdraw their respective subscription agreements, which involved the cancellation of the subscription of an aggregate of 100,000,000 subscription shares, by entering into a cancellation agreement with each of the outgoing subscribers. On 8 May 2014, 29 subscribers completed the subscription of aggregate of 1,979,750,000 shares and the gross cash proceeds of HK$197,975,000 were received by the Company.

On 23 November 2012, the Company entered into agreements with three subscribers pursuant to which the subscribers agreed to subscribe for an aggregate of 1,638,000,000 new shares at the subscription price of HK$0.10 per subscription share. The subscription of shares was completed on 26 March 2013 and the gross cash proceeds of HK$163,800,000 were received by the Company.

(ii) During the year ended 31 December 2013, the issued share capital of the Company was increased due to the exercise of share options by an employee of the Group. The shares issued during the year in relation to share options exercised have the same rights as other ordinary shares of the Company in issue.

13. CAPITAL COMMITMENT

As at 30 June 2014, the Group has the following capital commitments:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for		
– Establishment of a subsidiaries in the PRC	**6,294**	6,265
– Purchase of property, plant and equipment	**–**	1,144
– Research and development projects	**37,060**	18,064
	43,354	25,473

14. POST REPORTING DATE EVENT

On 28 August 2014, the Company informed the shareholders that a wholly-owned subsidiary of the Company entered into a conditional share transfer agreement with certain parties (the "Purchasers") in respect of the disposal of an aggregate of 75% equity interest in Zhejiang GBS Energy Co., Ltd by the Group to the Purchasers at the consideration and subject to and upon the terms and conditions contained in the share transfer agreement. The disposal contemplated under the share transfer agreement constitutes a very substantial disposal and a connected transaction for the Company under the Chapters 14 and 14A of the Listing Rules. The Company is in the course of preparing and finalizing the announcement and the announcement is not yet published at the date of issuance of the interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The principal businesses of the Group during the Period included the environmental automobile and related business (comprising the automobile battery business and the environmental automobile business) and the natural resources business.

The Group's turnover and loss attributable to owners of the Company for the Period amounted to HK$25.97 million (2013: HK$24 million) and HK$57.89 million (2013: HK$48.66 million) respectively. The loss for the Period was mainly attributable to the general operating expenses.

The general operating expenses for the Period increased to HK$63.94 million (2013: HK$41.26 million) which consisted of, among others, the research and development expenses of HK$4.01 million (2013: HK$0.94 million), depreciation expenses of HK$2.49 million (2013: HK$3.58 million), share-based compensation of HK$1.63 million (2013: HK$1.63 million) and overall employment expenses including salary expenses, retirement and pension contributions and staff benefit of HK$25.1 million (2013: HK$19.40 million).

(a) Environmental automobile and related business

Lithium-ion power Battery Business

During the Period, the Group engaged in the automobile battery business through the Company's wholly owned subsidiary, Zhejiang GBS Energy Co., Ltd.（浙江佳貝思綠色能源有限公司）("GBS"). GBS was acquired by the Group in October 2010 pursuant to an acquisition agreement dated 18 April 2010 (as supplemented) (the "Acquisition Agreement"). For the Period, the turnover and the loss of this segment were approximately HK$25.98 million and HK$12.55 million as compared to the turnover of approximately HK$24.04 million and the loss of approximately HK$16.65 million in the same period of 2013. The impairment of goodwill for the business amounted to Nil (30 June 2013: HK$9.6 million).

Since the first half of 2011, the operating environment of the business carried on by GBS has been testing and fallen short of the Group's expectation. This was due partly to the global economic downturn, and the situation was aggravated by the mounting auto incidents in the PRC and faulty electric vehicle batteries recalled by certain battery manufacturer which had raised safety concerns, cast doubts on the quality of lithium-ion battery and related products and shaken confidence of consumers and potential customers generally. Such prevailing operating conditions (which have been affected more by negative external factors as disclosed above and are beyond the control of the Group or the management of GBS) have caused the continuing loss in GBS's automobile battery business amidst uncertain prospect.

As the business of GBS has been under-performed over the years, the Board considers that the Group's environmental automobile and related business would be restrained unless and until there is innovative breakthrough in battery architecture and technology. Further, the Board considers that the resources of the Group should be best deployed and aligned with the overall and long-term goals of the Group. In this connection, the Board evaluated the business plans of the Company and considered that it would be strategically sound to explore the development of other lines of automobile battery and components-related business(es) or venture(s) with better prospects or higher growth potential and take steps to downsize its investment in GBS as and when the opportunities arise. As disclosed in the Company's announcement dated 28 August 2014, the Group had on 18 August 2014 entered into a share transfer agreement with certain parties (who/which are connected persons of the Company under the Listing Rules) (the "GBS Purchasers") pursuant to which the Group had conditionally agreed to dispose of an aggregate of 75% equity interest in GBS to the GBS Purchasers at the consideration and subject to and upon the terms and conditions contained in the share transfer agreement (the "GBS Equity Interest Disposal"). The GBS Equity Interest Disposal constitutes a very substantial disposal and a connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As at the date hereof, the announcement in respect of the GBS Equity Interest Disposal was being prepared by the Company in compliance with the requirements of the applicable Listing Rules and the Stock Exchange. The Company will issue the announcement as soon as practicable so as to provide more details of the GBS Equity Interest Disposal to its shareholders.

As disclosed in the Company's announcement dated 12 August 2014, the Group is exploring a potential strategic business venture with an independent third party in the research and development of LTO (lithium titanate) battery technology and its application and LTO-related business, the GBS Equity Interest Disposal would alleviate, to a certain extent, the potential business venture partner's concerns over possible competition issue. A LTO (lithium-titanate) battery is a modified lithium-ion battery that uses lithium-titanate nanocrystals on the surface of its anode instead of carbon. This gives the anode a surface area of about 100 square meters per gram, compared with 3 square meters per gram for carbon, allowing electrons to enter and leave the anode quickly. This makes fast recharging possible and provides high currents when needed. The LTO battery has the advantage of being faster to charge (as quick as 5 to 10 minutes) than other lithium-ion batteries. A perfect fit for electric bus application so that the electric bus can be fully charged during intervals between trips. In addition, LTO battery has longer life cycle (while a normal lithium-ion battery can only last 2000 cycles, a LTO battery can last as much as 25000 cycles) and can work under very severe weather conditions and has lower self-discharging rate than lithium-ion battery.

The Company will comply with the applicable requirements under the Listing Rules in respect of any future plans for the businesses carried on by, and business venture and/or assets proposed to be participated or acquired by, the Group as and when appropriate.

New Energy Project

During the Period, the Group had been engaging in the promotion and development of a new energy project (which involved the construction of production facilities for the production of key new energy automobile components including battery materials, super batteries, electric control systems and electrolyte for use in new energy automobiles) (the "New Energy Project") through a project company (namely, 連雲港正道新能源有限公司 (Hybrid Kinetic (Lianyuangang) New Energy Limited, Inc.* (the "Project Company")) established on 29 March 2013 and based in the 連雲港經濟技術開發區 (Lianyungang Economic and Technological Development Zone*) ("LETDZ"). The Project Company has an operating period of 20 years from the date of its establishment. As at 30 June 2014, the total investment amount of the Project Company was US$81,000,000 (equivalent to approximately HK$631,800,000). The total registered capital of the Project Company was US$27,000,000 (equivalent to approximately HK$210,600,000), which was or was to be contributed as to US$21,000,000 (equivalent to approximately HK$163,800,000) by the Group and as to US$6,000,000 (equivalent to approximately HK$46,800,000) by 江蘇新海連發展集團有限公司 (Jiangsu NewHeadLine Development Group Co., Ltd.*), representing approximately 77.78% and 22.22% of the total registered capital of the Project Company.

The New Energy Project is an important development in the LETDZ as it is expected to bring positive economic and social benefits for the LETDZ. The government officials of the LETDZ are enthusiastic and have been supportive to the Project Company in facilitating the development of the New Energy Project.

The Project Company has completed the construction of the production facilities with an area of approximately 5,300 square meters (comprising a production centre of approximately 3,300 square meters and the remaining area is allocated for office, a laboratory, an inspection centre and other uses). Subject to compliance with the environmental laws and regulations applicable to the New Energy Project, the Project Company is expected to commerce trial or initial production in early 2015.

The turnover and loss of the Project Company consolidated into the Group's financial statement during the Period amounted to HK$Nil and HK$1.91 million respectively.

Environmental Automobile Business

The Group is dedicated to improving environmental quality through the research and development ("R&D") of environmental automobile. For the Period, this business segment recorded no turnover (2013: nil), and a loss of approximately HK$7.43 million (2013: HK$14 million). The loss was mainly attributable to operating expenses incurred during the Period.

With the recent announcement of the Chinese Government of its plans to (i) boost the use of fuel-efficient and new-energy vehicles among government agencies and public transport and domestic auto industry with the target of bringing the market share of energy saving products to over 50% by 2015 and (ii) offer subsidies for purchases of new-energy vehicle, the Board expects the development of environmental automobile could gain ground to take advantage of this favourable policy. Our R&D capability has enabled us to design and manufacture, on an original design manufacturer (ODM) basis, two prototype electric buses for public transport which are ready to be launched in the market. The Company received positive response from potential buyers after demonstrating the prototype buses at roadshows in certain cities in China. The Board expects that the Group will begin receiving orders for new hybrid buses in the second half of 2014.

(b) Natural resources business

The Group carries on its natural resources business through Jilin Shengshi Mining Ltd. (吉林晟世礦業有限公司) ("Jilin Shengshi"), a subsidiary of the Company. During the Period, this business segment recorded no turnover (2013: Nil), and a loss of HK$4.93 million (2013: HK$4.97 million) which was mainly attributable to operating expenses incurred during the Period.

The identification of natural resources is proving to be an undertaking that requires the conduct of exhaustive analysis, and has taken longer than anticipated. Further, natural resources requires the application of extensive amount of capital and human resources (mental and physical labor) to be exploited (extracted, processed, refined) for the realization of their economic value.

The development strategy for the Group's natural resources business had been under constant review and evaluation by the Group. While the Group will try optimize the development potential of its natural resources business, the Group will continuously examine its business strategy and will not preclude the possibility of adapting its business plan for this line of business.

Prospects

Notwithstanding the unsatisfactory business performance of GBS due to the circumstances disclosed above, the Board remains optimistic that the automobile battery and component business (in particular, new energy automobile components) and the environmental automobile business present a wealth of attractive investment opportunities and are likely to flourish in the near future. The Board believes that new energy automobiles are still the major driver of the environmental automobile industry and will seek to gain strategic high ground in it.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the total equity of the Group amounted to approximately HK$524.66 million (31 December 2013: HK$641.29 million). The gearing ratio of the Group as at 30 June 2014 measured in terms of total liabilities divided by shareholders' equity was approximately 22.76% (31 December 2013: 31.27%). As at 30 June 2014, net current assets of the Group were approximately HK$434.43 million (31 December 2013: HK$555.96 million). The pledged bank deposits were approximately HK$1.74 million (31 December 2013: HK$0.81 million) while the cash and cash equivalents amounted to HK$126.64 million (31 December 2013: HK$147.99 million). The Group also had outstanding borrowings of approximately HK$26.09 million (31 December 2013: HK$7.82 million).

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group had a total of 182 employees as at 30 June 2014 (31 December 2013: 191 employees). It has been the Group's policy to ensure that the remuneration levels of its employees are reviewed and rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to employees of the Group to recognize their contributions to the Group or serve as long-term incentive for retaining them for their better commitment and the continued development of the Group.

PLEDGE OF ASSETS

As at 30 June 2014, the Group had pledged its bank deposits of HK$1.74 million (31 December 2013: HK$0.81 million) to the Group's bankers to secure general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the Period, almost all of the income and expenditure of the Group were denominated in Renminbi, Hong Kong dollar and United States dollar. The Group had no significant exposure to foreign exchange fluctuations and, therefore, had not taken any financial instruments for hedging purpose.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

Throughout the Period, the Company had applied the principles and complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

COMPETING INTERESTS

The Directors were not aware of any business or interest of any of the Directors, or the controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or may compete, directly or indirectly, with the business of the Group for the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct governing securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed to the Company their compliance with the required standards set out in the Model Code during the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Period.

REVIEW OF FINANCIAL STATEMENTS

The interim results for the Period are unaudited and have not been reviewed by the auditor of the Company. The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the internal controls and financial reporting matters of the Group, and the unaudited condensed consolidated financial statements of the Group for the Period.

PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2014 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (http://hk1188.etnet.com.hk/) in due course.

By Order of the Board
HYBRID KINETIC GROUP LIMITED
Yeung Yung
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises ten executive Directors, namely Dr Yeung Yung (Chairman), Dr Huang Chunhua (Deputy Chairman), Dr Jang Bor Zeng Bohr (Deputy Chairman), Dr Wang Chuantao (Chief Executive Officer), Mr Liu Stepehen Quan, Mr Hui Wing Sang, Wilson, Dr Zhamu Aruna, Dr Zhu Shengliang, Mr Xu Jianguo and Mr Li Zhengshan, one non-executive director, namely Dr Xia Tingkang, Tim and six independent non-executive directors, namely Mr Wong Lee Hing, Dr Song Jian, Dr Zhu Guobin, Mr Cheng Tat Wa, Dr Li Jianyong and Mr Chan Sin Hang.